A-5   Guidance to Results Teams

Tools for Results Teams to Consider
Doing the Right Things. Doing Them Right.
(Adapted from materials provided by the Public Strategies Group.
This document has been given to the POG Results Teams for consideration in their deliberations.)

In times of budget constraints, many activities currently being performed may not be funded, even though they support the desired results. If we can find ways to do the most important activities more cost-effectively, we can potentially free up funds for other activities we could not otherwise afford.

In essence, once we have determined that we are "doing the right things," we should ask ourselves if we are "doing things right." To support that work, we suggest teams consider several proven "tools."

Tools for "Doing Things Right"

Many of the activities of state government can demonstrate a significant contribution to the desired results. About such activities we can still ask, "Are we buying those results at the best price," or "Can we get more 'bang for the buck' if we bought the results in a different way?" In moving to such a results orientation, staff and managers frequently feel constrained by statutes, rules, assumptions, directives, or "the way we've always done it." Sometimes, they constrain themselves – through understandable pride or a felt need to defend the practices and people within their purview. Doing that can limit the effectiveness of their workgroups, keeping them stuck in outdated procedures or approaches, that are no longer appropriate or as effective as they could be.

The following tools are intended to challenge, support and guide managers and staff as they consider how to deliver the desired outcomes at a better price or in a better way.

IMPORTANT NOTE: Some of the tools below are obvious choices. Others may seem quite radical. Some may require additional authority, or a change in existing regulations. Some are appropriate for application at a process level, some at a program or policy level. All of them have been proven to work when used in the appropriate circumstances.

Your challenge – as a team member, manager or a change agent – is to support your group's effort to determine which tool to apply, and learn how to use it to good effect. Selecting the right tool for the job is a matter of art AND science. In each case the tool should be selected based on the extent to which its application could improve the outcome of the activity, lower the cost of the activity, or both.

1. **Clear the decks.** Activities that do not contribute significantly to achieving any of the results should be eliminated. Divesting will almost certainly mean disruption, but in return, it will free up resources to invest in the results that matter most to citizens. Ordering

activities by their contribution to the results provides a good foundation for determining which activities should be considered for elimination.

2. **Consolidate WHERE IT MAKES SENSE.** Consolidation is the perennial favorite of politicians, who often assume there are economies of scale to be had from merging agencies, or merging service programs into "one-stop" centers. These mergers are rarely managed beyond moving boxes around on an organization chart, with the result being few real savings and many new costs, as well as significant disruption in service delivery and staff morale. Consolidations are most likely to produce savings or improve results if they are well-managed, and focused on specific areas, such as:

- **Consolidating missions.** When programs or agencies are combined, they bring with them their various missions. Reconciling and blending the various missions requires a conscious and deliberate organizational change effort, for which time is rarely taken. The result is a lack of focus, if not outright conflict between missions. Consolidations work best when the sponsors of the consolidation work with the resulting program/agency to agree on a clear, focused mission and set of clear, limited performance targets.

- **Consolidating funding streams**. Far more powerful than consolidating agencies or programs is consolidating their funding streams. Specifically dedicated funding leads inevitably to specifically dedicated – and therefore complicated – agencies. Tracking costs according to the "color of money" is another form of the "cost of mistrust." Consolidate the funding, focus it on clearly prioritized outcomes, and use it to purchase those outcomes from whatever programs or agencies can best produce them.

- **Consolidating policy authority.** Most agencies have both policy ("steering") responsibilities and operating ("rowing") responsibilities. These are not the same! "Steering" focuses on doing the right things, while "rowing" functions focus on doing them right. By separating these roles, each can be performed better. Once separated, steering can be consolidated to assure that policy is integrated and mutually reinforcing across a government unit. When coupled with consolidated funding streams, steering organizations can "purchase" key results from those who row.

  The Master Agreement between the unions and agencies is an example of a consolidated steering authority. Instead of each agency developing individual personnel policies, we can consolidate the responsibility for overarching policy development and negotiation and let individual agencies focus on their core businesses.

  Executive management teams who work collaboratively to develop agency-wide policies and priorities, instead of maintaining division or departmental "silos," are better equipped to find opportunities for supporting shared or collective goals.

- **Consolidating similar operations.** Programs or activities that do similar kinds of work are good candidates for consolidation. Examples include call centers, where technology now makes it cost-effective to consolidate customer service call centers in one location

instead of in local offices. In such cases, the similarity of the work can offer opportunities for consolidation.

- **Consolidating layers**. Organizational layers may have been necessary when communication was cumbersome and employee skills were limited. But with today's technology and well-trained workforce, the justification for so many layers should be questioned. Consolidating layers can save money. It can also improve service when coupled with delegating more authority to those closest to the customers.

- **Consolidating access.** Much of what government does involves the collection and processing of information. Accessing what the government knows has often been cumbersome and expensive for those inside and outside of government units. Technology provides the opportunity to consolidate access, and in so doing, to reduce costs and improve service. An example of this is the website developed by the Public Disclosure Commission, which makes it possible for members of the public to access information about campaign spending. The upfront cost of developing the website has been more than offset by the downstream savings in staff research time. Customers are also much happier with the near instant response to their information requests. Look for ways to consolidate data sources to make access easier for staff and customers alike.

- **Consolidating "back room" activities.** Many agencies have similar back-room functions (e.g., phone answering, purchasing, data storage), even though their activities that directly touch citizens are very different. In these cases there may be an opportunity to create a common "back room," reduce the total resources dedicated to these functions, and re-deploy resources to direct service activities.

    Managers and staff should explore opportunities to consolidate aspects of activities, in whole or in part to produce the assigned Results.

3. **Buy from across the whole "enterprise."** The means to achieve the desired results need not be restricted to any specific agency, program or level of government. The best ways to achieve a result may be found in unexpected places … in places other than where it is currently being done. In the original "POG" exercise, Results Teams looked across the entire state and local enterprise to choose those activities that were best suited to achieving the desired outcome within the resources available. In some cases, they determined that funding was better spent by allocating it to local government agents, or by consolidating similar programs in different agencies.

    Staff and managers can do the same thing as they review activities within their own agency. Could the same activity be done better or at a lower cost at another level of government or in another agency or program? Are there non-profits or private sector alternatives that are better?

4. **Look at the whole budget – not just General Fund.** The general fund is only 65% of the state "all funds budget." In any agency, it may be a larger or smaller proportion of the

agency funding. Anything that big is important, but ignoring the rest is a big mistake. And yet that is the norm in state budgeting today.

We should begin by assuming that all funds are consolidated, allocating them to the desired results without regard to their "color" or to the "strings attached." Start by identifying how your TOTAL resources could be put to work to achieve the assigned results. THEN look at how any restrictions (real or perceived) could be addressed. This approach, and the insights that result from it, can:

- Provide a foundation for your conversations with the funding source and support your request for amending the restrictions, and

- Identify possible new ways to leverage or apply the funding available.

5. **Cut the cost of mistrust.** The main purpose of 20-30% of government spending is to control the actions of citizens, businesses and the other 70-80% of government. Much of that spending is based on the belief that people will lie, cheat and steal if given the opportunity. If you look into the history of the control program, you will often find that a whole set of policies and procedures were put into place in reaction to one person's misappropriation. This level of mistrust is not only expensive – it undermines performance. For example, in special education today, most teachers spend up to 50 percent of their time filling out forms to demonstrate compliance with federal and state rules and regulations.

    Examples of opportunities to cut the cost of mistrust abound in any agency – in the multiplicity of signatures on payment vouchers, SCAN bills, travel vouchers, and any other authorizing document. If we could find less expensive ways to "win" compliance, or demonstrate that the cost of mistrust exceeds the risk involved, we could spend more on the activities that produce the results citizens want. For example, Montgomery County, MD has given its departments the authority to pay invoices in amounts up to $5,000 rather than sending them to central accounts payable. This created flexibility for departments and allowed a more than 50 percent reduction in the accounts payable staff. Departments are still accountable for their actions, but at a much lower cost.

    Many process improvements can be implemented to reduce the layers of "mistrust" that slow down processes and frustrate customers and staff alike.

6. **Make performance consequential.** When there are consequences (either as rewards or sanctions), the incentives for performance can be clearer, and can lead to better results. Examples of ways to make performance consequential include:

    - **Manage like an entrepreneur.** What if all service agencies had to "earn" their budgets by selling to citizens or to other agencies? What if they had to "compete" with other public or private providers for the business of state agencies? For example, the Department of Information Services and the Department of Printing have to compete with other information service and print shop providers for agency business. As a result, they are constantly looking for ways to drive costs down, using the competition as their benchmarks.

- **Contract competitively.** What if public agencies had to compete with other agencies or private businesses to serve the needs of the public? When public agencies are required to compete, they can unleash the creative potential of their employees because the incentives for success are so direct. The Personnel System Reform Act will give agencies the flexibility to consider contracting for services that would otherwise be done in-house, if it can be done at a better price or with a better result. Before the agency can competitively contract a service, staff will have the opportunity to present more cost-effective alternatives.

- **Establish service standards and guarantees**. What if an activity developed and posted service standards and provided customers a rebate or other redress if these standards are not met? That's how it works today when you apply for a passport. They either get it to you on time or you get your money back. The result: delighted customers who get passports much faster than they ever thought possible. Governor Locke's Executive Order 03-01, Service Delivery Standards, requires agencies to establish customer service standards.

- **Manage for performance**. Require every agency, program and activity in state government to set performance targets and then measure and report results against those targets. Doing so focuses attention on what matters most – results. To strengthen the focus, add rewards and recognition for success as well as penalties for poor performance.

  It takes several years to develop an effective performance management system, and it requires serious investment. The first two approaches offer faster results and greater savings in the short term; hence, they are more useful during a fiscal crisis.   However, over the long term, performance management provides the foundation for measuring outcomes and demonstrating to citizens the return on their investment in government.

  Governor Locke's Governing for Results initiative has supported agencies in building the capacity and infrastructure necessary for a performance management system. Continuing the focus on performance measures will allow us to effectively measure and order activities according to their contribution to results. Civil service reform will also give managers the ability to deploy performance management to the individual employee level by linking performance to compensation and RIF selection.

- **Increase flexibility in return for accountability.** In exchange for performance accountability, give programs and their managers more flexibility in determining how services are delivered. Tying up programs in red tape while making them accountable for performance is a set up for failure.

  A performance agreement is one way to assure accountability while increasing flexibility. Such written agreements articulate the overseeing manager's expectations, the service provider's goals and freedoms, how performance will be reported, and how that information will be used to trigger consequences, either positive or negative.

7. **Take the customer perspective.** Although we are in the public service, it's easy to forget how the public sees what we do. Focusing on the results that matter most to citizens means that we must bring that question into our process improvement efforts. As we examine our activities and processes, we should test each step against the requirement that it add positive value to the process customer. If we cannot show that the additional step, review or paperwork supports one of our key results, we should consider eliminating that step.

8. **Provide choices to customers.** Just being given a choice often increases any customer's perception of value. We can make services more responsive to customer preferences by:

   - **Letting customers serve themselves** through service vouchers or web-based service delivery. Such services give customers control over the content, time and convenience of the services they want. Washington citizens can now buy fishing licenses, check shellfish beach closures, order a moorage permit, renew tabs and search for a state job from their home 24/7. These kinds of self-service options add value to citizens and can be very cost-effective in the medium or long run.

   - **Giving customers choices** and making sure that the money follows the customers. This creates competition between service providers for the customers' business.

9. **Direct subsidies and tax credits to places where they produce a return.** Much state spending really involves transfers of resources from one set of taxpayers to another. Subsidies result when those who benefit most directly from a service are not the same people who pay for it. Some subsidies are made directly, through assistance payments or tax credits. Other subsidies are indirect, like the way most states subsidize college students by subsidizing the schools they attend. Gas taxes that pay for public transportation is another example. In the case of education subsidies, the rationale has been that investing in education provided an economic return in the form of a better-trained workforce, and a social return in the form of equalizing access.

   Over time, subsidies and tax credits come to be seen more as entitlement than an investment. In some cases, they are no longer targeted to those who truly need them, or on producing a return on the investment. By re-examining subsidies and tax credits, and eliminating those that no longer produce the desired results, we can redirect those resources to more effective strategies.

   Agency staff and managers should identify the subsidies within activities AND explore the extent to which they still produce the expected results. If not, they could be identified as potential policy recommendations.

10. **Connect every entitlement to an obligation.** Much of our budget is spent on aid payments to other governments, institutions or individuals. Those who receive them often treat these payments as entitlements because there is no explicit obligation expected in return. Welfare reform has shown that adding obligations to entitlements can reduce costs, get people back to work sooner, and free up funding for those in greater need.

Managers and staff should review entitlements within activities and explore ways to explicitly connect payments to an obligation that supports the intended result.

11. **Get a return on capital investments.** Teams that deal with the use of "capital investment" resources should develop mechanisms for ensuring that every investment generates results – in the form of a return on that investment. Among the top priorities for capital should be investments – such as technology systems – designed specifically to make government service delivery better, faster and cheaper. Proposed investments that produce a high return in improved quality or reduced costs should take precedence over those that produce a lower return.